

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1984-01
Bill No.: HB 733
Subject: Health Care; Insurance - General; Insurance - Medical; Insurance Dept.
Type: #Corrected
Date: March 15, 2005
To correct Oversight assumptions.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
Total Estimated Net Effect on General Revenue Fund	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
Missouri Health Care Stabilization*	\$0	\$0	\$0
Total Estimated Net Effect on <u>Other</u> State Funds*	\$0	\$0	\$0

* Unknown revenues and expenditures net to \$0.

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 6 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Missouri Senate** and **Office of Administration - Division of Budget and Planning** assume the proposal will have a minimal impact which can be absorbed by present appropriations.

Officials from the **Department of Economic Development - Division of Professional Registration (DED-PR)** state having reviewed the proposed language and having sought the conclusion of the appropriate board(s), they are of the opinion the proposal, in its present form has no fiscal impact on the DED-PR.

Officials from the **Office of State Auditor (SAU)** assume that in order to comply with the audit requirement in section 383.315.2, an additional Auditor I will be needed. The SAU estimates the proposal will result in additional expenses of \$38,384 for FY 06; \$47,213 for FY 07; and \$48,393 for FY 08 to the General Revenue Fund.

Oversight has, for fiscal note purposes only, changed the starting salary for an Auditor I to correspond to the second step above minimum for comparable positions in the state's merit system pay grid. This decision reflects a study of actual starting salaries for new state employees for a six month period and the policy of the Oversight Subcommittee of the Joint Committee on Legislative Research.

ASSUMPTION (continued)

HW-C:LR:OD (12/02)

Oversight assumes the costs incurred by the SAU will be reimbursed by the Health Care Stabilization Fund.

Officials from the **Department of Insurance (INS)** state since all expenses of the board will be paid from the fund and the board may appoint additional staff to assist with the operations of the fund, the INS assumes that it will have an advisory role with the board and its functions. Therefore, the proposal will have no fiscal impact to the INS. The revenue and expenses of the Missouri Health Care Stabilization Fund are unknown.

Should be board request work from the INS beyond technical and administrative assistance, the INS may need to request staff to support the board's request.

Officials from the **Office of Secretary of State (SOS)** state the proposal creates the Missouri Health Care Stabilization Fund and the Health Care Stabilization Board, within the Department of Insurance. The board shall collect appropriate membership fees and premium surcharges from health care providers for the purpose of defending participating providers faced with excess malpractice judgments. The board shall promulgate rules to implement the legislation. Based on experience with other divisions, the rules, regulations and forms issued by the Department of Insurance could require as many as 24 pages in the Code of State Regulations. For any given rule, roughly one-half again as many pages are published in the Missouri Register as are published in the Code because of cost statements, fiscal notes and notices that are not published in the Code. The estimated cost of a page in the Missouri Register is \$23. The estimated cost of a page in the Code of State Regulations is \$27. The actual cost could be more or less than the numbers given. The impact of this legislation in future years is unknown and depends upon the frequency and length of rules, filed, amended, rescinded, and withdrawn. The SOS estimates the cost of the proposal to be \$1,476 [(24 pgs. X \$27) + (36 pgs. X \$23)] for FY 06.

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process. Any decisions to raise fees to defray costs would likely be made in subsequent fiscal years.

Officials from the **Office of State Treasurer (STO)** did not respond to our request for a statement of fiscal impact. However, in response to a similar proposal, the STO assumed the proposal would have no fiscal impact on their organization.

Officials from the **Office of the Governor** did not respond to our request for a statement of fiscal impact.

ASSUMPTION (continued)

Oversight assumes the Health Care Stabilization Board would set membership fees and premium surcharges at rates sufficient to cover all costs of operation and any claims, settlements and judgements that may be imposed on covered health care providers. For fiscal note purposes only, **Oversight** assumes revenues and expenses of the Fund will net to \$0.

<u>FISCAL IMPACT - State Government</u>	FY 2006 (10 Mo.)	FY 2007	FY 2008
MISSOURI HEALTH CARE STABILIZATION FUND			
<u>Income - Missouri Health Care Stabilization Board</u>			
Membership fees and premium surcharges	Unknown	Unknown	Unknown
<u>Costs - Missouri Health Care Stabilization Board</u>			
Claims, settlements, judgements and administrative expenditures	(Unknown)	(Unknown)	(Unknown)
<u>Costs - Office of State Auditor</u>			
Personal service costs (1 FTE)	(\$25,441)	(\$31,292)	(\$32,074)
Fringe benefits	(\$10,853)	(\$13,349)	(\$13,683)
Total <u>Costs</u> - Office of State Auditor	(\$36,294)	(\$44,641)	(\$45,757)
ESTIMATED NET EFFECT ON MISSOURI HEALTH CARE STABILIZATION FUND*	<u>\$0*</u>	<u>\$0*</u>	<u>\$0*</u>

* Unknown revenues and expenditures net to \$0.

<u>FISCAL IMPACT - Local Government</u>	FY 2006 (10 Mo.)	FY 2007	FY 2008
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

This proposal will directly impact small business health care organizations that would be required to pay membership fees and premium surcharges.

DESCRIPTION

This proposal creates the Missouri Health Care Stabilization Fund. This fund provides excess medical malpractice coverage to health care providers who participate in the fund. Health care providers must carry primary medical malpractice coverage with another insurer. The liability limits for the primary policy shall not be less than \$200,000 for each occurrence and not less than \$600,000 for all claims in any one reporting year. The fund will be administered by a Health Care Stabilization Board housed within the Department of Insurance. The board will consist of the Director of the Department of Insurance and nine other members representing health care providers, insurance companies, trial attorneys and the public. All health care providers will be required to pay annual membership fees. In addition to these fees, the director will levy a premium surcharge on each health care provider's medical malpractice insurance policy. The surcharge will be collected from insurance companies when they receive the medical malpractice insurance premiums from the health care providers.

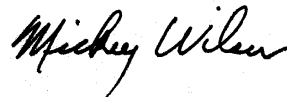
A person may recover from the fund if the person names the fund as a party in the lawsuit. The fund will only pay moneys to the aggrieved party if his or her damages exceed the health care provider's primary level of coverage. The fund may appear as a party in the action. The fund may retain counsel to defend itself. Insurers must provide an adequate defense of the fund in any action and must act in a fiduciary relationship with respect to any claim affecting the fund. The maximum amount recoverable from the fund shall not exceed \$800,000 pursuant to any one judgement or settlement for any party against a health care provider and an aggregate cap of \$2,400,000 for all judgments or settlements for any health care provider. The fund is not responsible for paying punitive damages rendered in any judgment.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Economic Development -
 Division of Professional Registration
Department of Insurance
Office of State Auditor
Missouri Senate
Office of Secretary of State

NOT RESPONDING: Office of the Governor and Office of State Treasurer

A handwritten signature in black ink that reads "Mickey Wilson". The signature is written in a cursive, flowing style.

Mickey Wilson, CPA
Director
March 15, 2005